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FM AMEMBASSY HARARE  
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RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 1881  
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RUEHDS/AMEMBASSY ADDIS ABABA 1948  
RUEHRL/AMEMBASSY BERLIN 0527  
RUEHBY/AMEMBASSY CANBERRA 1225  
RUEHDK/AMEMBASSY DAKAR 1582  
RUEHKM/AMEMBASSY KAMPALA 2004  
RUEHNR/AMEMBASSY NAIROBI 4435  
RHEHAAA/NSC WASHDC  
RHMFISS/EUCOM POLAD VAIHINGEN GE  
RUEHGV/USMISSION GENEVA 1075  
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000225

SIPDIS

AF/S FOR S.HILL  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS  
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN  
TREASURY FOR J.RALYEA AND T.RAND  
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN  
COMMERCE FOR BECKY ERKUL  
CIA WASHDC

SIPDIS

E.O.12958: N/A  
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)

SUBJECT: ZIM NOTES MARCH 20, 2008

11. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at [chisholmfm@state.gov](mailto:chisholmfm@state.gov). Distribution is restricted to U.S. government employees.

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Price Movements-Exchange Rate  
and Selected products  
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12. \*Parallel rate for cash soared to: ZW\$42million:US\$1; bank transfer rate: Z\$60 million; official rate: ZW\$30,000:US\$1

Sugar jumped to Z\$45 million/2kg vs. controlled price of Z\$8million/2kg

Cooking oil steady at Z\$40million/750ml vs. controlled price of Z\$9.3million/750ml

Petrol and diesel shot to Z\$50million/liter vs. controlled price of Z\$60,000/liter

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On the Political/Social Front  
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13. ZEC Briefs Stakeholders on Elections... The Zimbabwe Electoral Commission (ZEC) briefed SADC observers, diplomats, and political parties on March 18 in Harare, assuring them it was prepared for the elections. Key questions remained however. The ZEC reported that more than 300,000 names were added to the voter roll during the 2 week registration period in February, an enormous number. Total registration is almost 6 million, 300,000 more than in 2005--this

despite a continuing exodus from the country. The ZEC also could not provide an adequate response to concerns about the dearth of polling stations in urban areas, and was apparently unaware of a statute published the day before on March 17 requiring police presence in polling stations. Additionally, the ZEC was unable to explain how the integrity of the voting process would be ensured when the final tally of votes in the presidential race would take place at the national command center in the absence of observers. All in all, we have serious doubts as to whether the ZEC is ready for prime time.

¶4. Western Journalists Still Not Accredited... With elections less than two weeks away, no western journalists have yet been accredited to cover them. Press reports indicate that over 300 have applied, but Byzantine procedures, vetting by three ministries and an active desire on the part of the GOZ to keep western media out has resulted in an absence of accreditation for western journalists, although credentials for journalists from "friendly" countries have been issued.. Presidential spokesman George Charamba last week accused foreign journalists in Zimbabwe of being spies. On March 17, he called in stringers and representatives of foreign media organizations resident in Harare and delivered a thinly veiled threat, telling them their election coverage would be closely scrutinized and their reporters followed over the election period. (See Harare 214 for details.)

¶5. Yet Parliament Still Working With Embassy Staff... Despite the GOZ anti-US rhetoric and the closure last year of the State University of New York (SUNY) parliamentary support project, the Parliament's librarian recently reached out to the Embassy Information Resource Center (IRC) for help in selecting new staff. The Clerk of Parliament formally invited our IRC director to assist in interviewing candidates for two librarian positions at Parliament. The only outsider on the interview panel, our

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director's participation continued a tradition of cooperation with the Parliamentary library that has not ended even as unfriendly rhetoric increases.

¶6. Junior Doctors on Strike... Junior doctors in government hospitals went out on strike again demanding better pay and improved working conditions. This marks the third labor action by junior doctors over the past year. At present, a junior doctor earns between ZW\$700 and \$900 million (roughly US\$16 - \$21) per month - or about a dollar a day. To put it in context, the average cost of a one-way commuter bus ride in Harare jumped to ZW\$15 million (about US\$0.35) this week. Many nurses also have stopped reporting for work on a regular basis citing high transport costs. The decline of working conditions at State hospitals has mirrored that of the rest of the economy. There is a perpetual lack of basic supplies, diagnostic machines remain in disrepair due to a shortage of foreign currency to import necessary parts, surgery rooms do not have reliable electricity, and blood supplies are insufficient. As such, doctors are refusing to work in conditions where they have to ration care and determine who survives.

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Economic and Business News  
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¶7. \*The Zimbabwe Dollar Roller Coaster Continues and Domestic Debt Skyrockets... The local currency continued its swoon on the parallel market this week, underpinned by the continued high demand for foreign currency against the backdrop of low inflows. Surpluses on the money market also contributed to driving the parallel market cash rate from Z\$30 to Z\$40 million:US\$1 and the transfer rate from Z\$40 to Z\$60 million:US\$1. Anxiety associated with elections is likely to continue pushing parallel rates to record levels in the short to medium term. Zimbabwe's domestic debt also scaled new heights, rising from Z\$21 trillion at the beginning of the year to Z\$1.4 quadrillion (roughly US\$33 million - street rate) by February 29, 2008. The surge in government expenditure is associated with both the prevailing hyperinflationary environment and the impending elections. At the same time, revenues have not risen in lock step, resulting in a widening deficit that the GOZ has had to finance

through increased borrowing from the domestic market. The effect of such borrowings has been reflected in the high growth in money supply and, inevitably, inflation.

¶18. Gold Output Falls Further... Gold output fell 58.9% to 315.7kg in February from 768.1kg in the same month last year, according to latest figures from the Chamber of Mines. Gold output in January dropped to 370.2kg from 819kg in the same month last year, further decimating a formerly significant source of foreign exchange for the GOZ.

¶19. Another Food Company Manager Arrest... As elections draw near, government has pulled in yet another food company manager on allegations of overcharging. The GM of Bakers Inn was arrested this week on charges of selling a standard loaf of bread for Z\$9 million instead of the controlled price of Z\$6 million.

¶10. Johns Hopkins Economist On Zimbabwe's Hyperinflation... In a short book sponsored by Botswana-listed asset management firm Imara Holdings Ltd and published this month in Zimbabwe, US economist Steve Hanke outlines how to stop hyperinflation in Zimbabwe. In Zimbabwe: Hyperinflation to Growth, he recommends replacing the central bank with a currency board, dollarization or a less well known system of "free banking" that was used in Zimbabwe until 1940.

¶11. "Director of the Year"... Nigel Chanakira was named "Director  
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of the Year" by the Institute of Directors this week. Founder of Kingdom Financial Holdings Ltd, he masterminded the recent merger of Kingdom, Meikles Africa Ltd, and Tanganda Tea Company, and now serves as CEO of Kingdom Meikles Africa Ltd. The conglomerate is planning to raise US\$600 million in an IPO in London in May. Half the money will be invested in Zimbabwe, executives tell us, including on the refurbishment of the flagship Meikles Hotel; also in sight is expansion of its TM Supermarket chain outside of Zimbabwe. ZimSun CEO Shingi Munyeza was runner up for the prestigious award for the second year in a row. He might have a shot at the top spot next year: He told us that after the March elections, ZimSun will announce its acquisition of several leading hotels in South Africa. He cited four international banks in association with financing of the acquisitions, as well as with the recently announced construction of five new ZimSun hotels in Zimbabwe.

¶12. Exports, Key To Business Survival... Paper mill breakdowns, problems in sourcing sufficient coal, and interruptions in power had a negative effect on production at paper manufacturer Hunyani last year. Nevertheless, the company's managing director anticipates exports rising from US\$10 million in 2007 to around US\$12 million in the year to October 2008 thanks to increased orders for banana boxes into Zambia and Mozambique. He lamented the slow pace of price increase approvals and the punishing export tax in the form of government retention of a share of forex earnings. Hunyani believes it could raise exports to 80% of output if allowed to retain 100% of its export proceeds rather than 65%.

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